

The Alliance

of Western Milk Producers

August 23, 2007

Honorable A. G. Kawamura, Secretary
California Department of Food and Agriculture
1220 N. Street
Sacramento, California 95814

Re: In opposition to Class 4b petition to remove dry whey from the formula

Dear Secretary Kawamura:

The Alliance urges you to deny the request for an emergency hearing to consider the removal of dry whey from the 4b formula. This discussion is properly raised in a broader make allowance hearing where the issue of "inclusion" or "exclusion" of a dry whey component in the 4b formula can be considered in light of the whole range of items that make up the value of 4b milk. We believe that it will be impossible to narrowly focus on the single issue of inclusion of dry whey in the formula and will inevitably lead to discussion of the greater range of options available and would force consideration of make allowance factors for dry whey. While the current formula may rightfully need "some adjusting", it is impossible to argue that the whey component has no value at all.

Additionally the value of dry whey has clearly peaked and is in a fairly rapid and sustained decline. Whatever economic pain the smaller plants have sustained is getting smaller. More importantly the run up in price was a function of real market values and not a formula anomaly. Prices have dropped from a peak of 82.38 cents per pound to 57.00 cents last week. Futures markets predict a drop of an additional 10 cents to 44 cents per pound. Whatever sense of emergency that may have existed in the past few months is now largely dissipated and we suggest that a far wiser course would be to put off this discussion until CDFA is ready to consider the issue in the broader context of establishing the appropriate value for 4b milk, including needed adjustments in make allowances and product indexes used to determine that value.

For these reasons we suggest that the petition for an emergency single issue hearing be denied in favor of including the topic in a broader hearing.

Sincerely,

William C. Van Dam, CEO

Cc: George Gomes, Undersecretary
Kelly Krug, Director, Marketing Services Division
David Ikari, Chief, Dairy Marketing Branch

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